

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2835 – HB 3216

February 8, 2010

SUMMARY OF BILL: Authorizes a special allocation of state sales tax revenue to enhancement counties for the purpose of retiring bond indebtedness issued for development or public improvements which are made within commercial development zones.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$100,000,000

Increase Local Revenue – Exceeds \$100,000,000

Assumptions:

- According to the Department of Revenue (DOR), 87 of 95 counties are considered enhancement counties.
- According to DOR, approximately \$5.35 billion was collected in sales tax revenue in FY08-09, excluding collections derived from out of state.
- No sales tax collections derived from tax rate increases occurring in 1992 (Public Chapter 529) and 2002 (Public Chapter 856) shall be apportioned pursuant to this bill.
- According to DOR, the 5.5 percent portion (out of the current 7.0 percent rate) from FY08-09 is estimated to be \$4.2 billion.
- All 87 enhancement counties establish commercial development zones.
- All commercial development zones are located in business concentrated areas.
- The commercial development zones currently contribute five percent of total state sales tax collections.
- Flat state sales tax growth.
- The maximum decrease to state revenue is estimated to be \$192,315,800 per year [$\$4.2 \text{ billion} \times (87/95) \times 5.0\% = \$192,315,789$].
- All counties may not establish commercial development zones. As a result, the maximum estimated revenue impact may not be realized. However, the decrease to state revenue is reasonably estimated to exceed \$100,000,000 per year because the special allocation as proposed will serve as a significant incentive to counties.

- The \$100,000,000 will shift to certain local government entities considered enhancement counties that contain commercial development zones.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc